

**From:** [Gray, David](#)  
**To:** [Bowman, Liz](#); [Grantham, Nancy](#)  
**Subject:** FW: EPA OIG Notification Memo: Audit of City of Houston's Use of Funds and Contracting Practices Under the CWSRF Program  
**Date:** Thursday, November 16, 2017 6:51:00 AM  
**Attachments:** [image005.png](#)  
[image006.png](#)  
[image007.png](#)  
[image008.png](#)

FYI - This article ran in the Houston Chronicle.

# EPA auditing Houston's use of water infrastructure project fund

November 14, 2017 Updated: November 14, 2017 5:12pm

By [Alex Stuckey](#)

The city of Houston now is being audited by the EPA for it's use of dollars and contracting practices related to a loan program that helps fund water infrastructure projects.

It is not clear, however, what prompted the audit or what is being examined: Federal officials would not elaborate and city officials could not be reached for comment.

The U.S. Environmental Protection Agency's Office of Inspector General announced last week that it had begun auditing the city's use of dollars from the Clean Water State Revolving Fund, which allows all 50 states to provide low-interest loans for water infrastructure projects with the help of federal grants.

Each individual state operates its own program and must match 20 percent of the federal grants provided by the EPA, according to the agency's website.

In Texas, state officials have \$525 million available in fiscal year 2018 for low-interest loans and principal forgiveness, said Kimberly Friesen Leggett,



spokeswoman for the Texas Water Development Board. Entities, such as the city of Houston, can apply to the board for funding at any time.

## **MORE INFORMATION**

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Auditing Houston's use of the Clean Water State Revolving Fund:

More than \$400 million has been committed for 11 funded projects in the Houston area through the fund, which allows all 50 states to provide low-interest loans for water infrastructure projects with the help of grants from the Environmental Protection Agency.

Here are a list of the Houston area projects, as of last week:

1. \$47,195,000 for emergency flood damage reduction projects, Houston
2. \$64,680,000 for collection system rehabilitation 2017, Houston
3. \$10,635,000 for Lomax area wastewater lift station consolidation, La Porte
4. \$65,750,000 for collection system rehabilitation 2016, Houston
5. \$2,057,442 for sanitary sewer rehabilitation, Sequoia Improvement District
6. \$3,080,000 for wastewater treatment plant projects & sanitary sewer rehababilitation, NW Harris County MUD # 22
7. \$2,460,000 for sanitary sewer repairs, Harris County MUD # 50
8. \$63,435,000 for collection system rehabilitation, Houston
9. \$55,005,000 for collection system rehabilitation 2014, Houston
10. \$65,000,000 for collection system rehabilitation 2013, Houston
11. \$48,750,000 for collection system rehabilitation 2012, Houston

Source: Texas Water Development Board

As of last week, \$428 million has been committed for 11 projects in the Houston area, Friesen Leggett said. Some of those projects include rehabilitation of wastewater treatment plants and collect systems, as well as emergency flood damage reduction projects, according to documents provided by the board.

It's not clear which, if any, of these projects might be of concern to the EPA.

Friesen Leggett would not comment on the audit, but said the agency's Region 6 Water Division annually reviews the board's program.

The division's "most recent review commended the [board] for its management of the program," Friesen Leggett said.

This most recent audit is different from that annual review and Kevin Christensen, the office's assistant inspector general for audit, would not say what prompted it. Audits by the Office of Inspector General can be routine, or based on tips and complaints.

Because this program likely will be used to fund projects after the devastation caused by Hurricane Harvey more than two months ago, Christensen said the agency "needs to make sure the funds are going to the right spot."

Officials will be examining if the fund is being properly used, if contracts awarded for the projects are "in compliance with applicable eligibility requirements", and if the city monitors and reports contractors' use of Minority and Women Business Enterprises, according to an office letter

Agency officials will be looking through documentation during their audit, as well as interviewing individuals who are involved with the program, Christensen said.

He did not know when the audit would be completed, but said it would be "a few months down the road."

*Alex Stuckey covers science and the environment for the Houston Chronicle. You can reach her at [alex.stuckey@chron.com](mailto:alex.stuckey@chron.com) or [Twitter.com/alexdstuckey](https://twitter.com/alexdstuckey).*

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**From:** Hah, Josephine

**Sent:** Tuesday, November 07, 2017 11:58 AM

**To:** Bennett, Angela <Bennett.Angela@epa.gov>; Coleman, Sam <Coleman.Sam@epa.gov>; Honker, William <honker.william@epa.gov>

**Cc:** Jackson, Ryan <jackson.ryan@epa.gov>; Darwin, Henry <darwin.henry@epa.gov>; Chmielewski, Kevin <chmielewski.kevin@epa.gov>; Trent, Bobbie <Trent.Bobbie@epa.gov>; Bowman, Liz <Bowman.Liz@epa.gov>; Gray, David <gray.david@epa.gov>; Honker, William <honker.william@epa.gov>; Hosch, Claudia <hosch.claudia@epa.gov>; Jenkins, Susan <Jenkins.Susan@epa.gov>; Elkins, Arthur <Elkins.Arthur@epa.gov>; Bonnell, Corey <bonnell.corey@epa.gov>; Harrison, Ben <Harrison.Ben@epa.gov>

**Subject:** RE: EPA OIG Notification Memo: Audit of City of Houston's Use of Funds and Contracting Practices Under the CWSRF Program

Angela,

Thank you for contacting Region 6. I will be Audit Follow-up Coordinator for Region 6 on this audit; please let me know how I may assist. We look forward to working with you.

**Josephine Hah, CPA**

Accountant

Office of the Regional Comptroller

U.S. Environmental Protection Agency, Region 6

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**From:** Bennett, Angela

**Sent:** Tuesday, November 07, 2017 11:24 AM

**To:** Coleman, Sam <[Coleman.Sam@epa.gov](mailto:Coleman.Sam@epa.gov)>; Honker, William <[honker.william@epa.gov](mailto:honker.william@epa.gov)>

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**Subject:** EPA OIG Notification Memo: Audit of City of Houston's Use of Funds and Contracting Practices Under the CWSRF Program

Good Morning Mr. Coleman,

We plan to begin preliminary research on the subject audit (OIG Project No. OA-FY17-0380). Our objectives are to determine whether: 1) Federal CWSRFs are being properly used to fund eligible projects; 2) Contracts awarded for CWSRF projects are in compliance with applicable eligibility requirements; and 3) The city of Houston adequately monitors and appropriately reports the results of its prime contractor's use of Minority and Women Business Enterprises. For the preliminary research phase of the audit, we will collect information needed to determine if further work is warranted. The attached memorandum

provides additional information on this project.

Jan Lister is the auditor-in-charge of the project. Jan will contact the Region 6 Audit Follow Coordinator to arrange a mutually agreeable time to discuss our objectives and plans for the preliminary research phase. In the meantime, if you or your staff have any questions or concerns, please contact me at (b) (6) or my Director, John Trefry at (b) (6)

(b) (6)

Angela